

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Caledonia	County Kent
Fiscal Year End December 31, 2006	Opinion Date May 14, 2007	Date Audit Report Submitted to State June 19, 2007	

We affirm that:

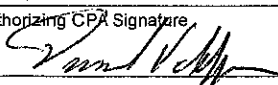
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name Daniel L. Veldhuizen, CPA		License Number 1101020724

Charter Township of Caledonia
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended December 31, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Caledonia's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$938,764 (3.4 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$811,678, while net assets of the business-type activities increased by \$127,086.
- Of the \$28,339,197 total net assets reported, \$17,379,403 (61 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,683,015, which represents 193 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2006 and 2005 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire and police protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here as well as its construction code inspection services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township utilizes three types of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds*. Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$28,339,197, an increase of 3.4 percent compared to the prior year. Of this total, \$10,661,251 is invested in capital assets and \$298,543 is restricted for various purposes. Consequently, unrestricted net assets were \$17,379,403, or 61 percent of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Other assets	\$5,440,492	\$4,669,758	\$13,841,379	\$14,084,428	\$19,281,871	\$18,754,186
Capital assets	<u>3,602,055</u>	<u>3,687,132</u>	<u>19,031,126</u>	<u>19,456,057</u>	<u>22,633,181</u>	<u>23,143,189</u>
Total assets	<u>9,042,547</u>	<u>8,356,890</u>	<u>32,872,505</u>	<u>33,540,485</u>	<u>41,915,052</u>	<u>41,897,375</u>
Other liabilities	1,259,630	1,330,651	126,226	231,291	1,385,856	1,561,942
Long-term debt	<u>660,000</u>	<u>715,000</u>	<u>11,530,000</u>	<u>12,220,000</u>	<u>12,190,000</u>	<u>12,935,000</u>
Total liabilities	<u>1,919,630</u>	<u>2,045,651</u>	<u>11,656,226</u>	<u>12,451,291</u>	<u>13,575,856</u>	<u>14,496,942</u>
Net assets:						
Invested in capital assets, net of related debt	2,938,055	2,972,132	7,723,196	7,477,884	10,661,251	10,450,016
Restricted	298,543	90,776	-	-	298,543	90,776
Unrestricted	<u>3,886,319</u>	<u>3,248,331</u>	<u>13,493,084</u>	<u>13,611,310</u>	<u>17,379,403</u>	<u>16,859,641</u>
Total net assets	<u>\$7,122,917</u>	<u>\$6,311,239</u>	<u>\$21,216,280</u>	<u>\$21,089,194</u>	<u>\$28,339,197</u>	<u>\$27,400,433</u>

Changes in net assets. The Township's total revenues were \$4,465,490 in 2006 compared to \$3,951,375 in 2005 which represents a 13 percent increase. In 2006, more than 26 percent of the total revenues came from property taxes while only 12 percent came from state shared revenue. Nearly 40 percent of the total revenues came from charges for services, primarily from sewer and water utility charges. In 2006, capital contributions represented 14 percent of the total revenues.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of all Township functions, covering a wide range of services, totaled \$3,526,726 in 2006. This represents a \$5,846 decrease compared to the total cost of \$3,532,572 in 2005. In 2006, almost 47 percent of the Township's costs relate to the provision of utility services. General government and public safety account for 17 and 20 percent of the Township's total costs, respectively.

Condensed financial information Changes in Net Assets						
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program revenues:						
Charges for services	\$ 272,428	\$ 88,293	\$ 1,335,024	\$ 1,066,244	\$ 1,607,452	\$ 1,154,537
Operating grants and contributions	11,564	20,545	-	-	11,564	20,545
Capital grants and contributions	4,000	36,000	625,911	772,244	629,911	808,244
General revenues:						
Property taxes	1,167,531	1,289,359	-	-	1,167,531	1,289,359
State shared revenue	536,435	530,985	-	-	536,435	530,985
Interest income	221,788	74,861	-	-	221,788	74,861
Gain on dispositions of capital assets	181,089	-	-	-	181,089	-
Other	109,720	72,844	-	-	109,720	72,844
Total revenues	<u>2,504,555</u>	<u>2,112,887</u>	<u>1,960,935</u>	<u>1,838,488</u>	<u>4,465,490</u>	<u>3,951,375</u>
Expenses:						
Legislative	33,079	29,318	-	-	33,079	29,318
General government	606,291	563,351	-	-	606,291	563,351
Public safety	716,947	636,358	-	-	716,947	636,358
Public works	83,178	69,948	-	-	83,178	69,948
Community and economic development	180,650	247,708	-	-	180,650	247,708
Culture and recreation	40,966	72,882	-	-	40,966	72,882
Interest	31,766	7,900	-	-	31,766	7,900
Sewer	-	-	919,728	939,040	919,728	939,040
Water	-	-	721,114	775,767	721,114	775,767
Inspections	-	-	193,007	190,300	193,007	190,300
Total expenses	<u>1,692,877</u>	<u>1,627,465</u>	<u>1,833,849</u>	<u>1,905,107</u>	<u>3,526,726</u>	<u>3,532,572</u>
Increase (decrease) in net assets	<u>\$ 811,678</u>	<u>\$ 485,422</u>	<u>\$ 127,086</u>	<u>\$ (66,619)</u>	<u>\$ 938,764</u>	<u>\$ 418,803</u>

Governmental activities. Governmental revenues exceeded governmental expenses, increasing the Township's net assets by \$811,678.

The cost of all governmental activities this year was \$1,692,877 in comparison to \$1,627,465 in 2005 which represents a 4 percent increase. After subtracting the direct charges to those who directly benefited from the programs (\$272,428), operating grants (\$11,564), and capital grants (\$4,000), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$1,404,885.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Business-type activities. Business-type activities increased the Township's net assets by \$127,086. The increase was primarily the result of a 25% increase in customer charges combined with small decreases in expenses for those activities.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,563,073, an increase of \$922,979 in comparison with the prior year. The increase occurred primarily as a result of significant increases of fund balances for both the General Fund and the Emergency Services Fund as described below. The total fund balances of the governmental funds are unreserved, or available for spending at the Board's discretion.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1,683,015, which represents 193 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by \$380,407 during the fiscal year because of higher than expected revenues, especially interest, combined with lower than expected expenditures.

The Emergency Services Fund experienced an increase in fund balance of \$433,469. The increase was primarily the result of the revenue provided by the sale of the former fire station on Maple Street. In addition, unanticipated grants, donations and significant interest revenues were realized.

The Kraft Avenue Fund experienced a decrease in fund balance of \$22,892 because of the current year costs to complete the street construction project.

Proprietary funds. The Sewer Fund experienced an operating loss of \$229,913 and a net increase in net assets of \$16,655. Net assets were \$11,458,857 at year end.

The Water Fund experienced an operating loss of \$102,943 and a net increase in net assets of \$132,958. Net assets were \$9,568,438 at year end.

General Fund budgetary highlights

The Board amended the budgeted expenditures of the General Fund during the year to increase the total expenditures from \$997,774 to \$1,055,224. The primary reason for the increase was to allow for much higher legal fees than were anticipated in the original budget. Revenues were \$98,782 more than budgeted primarily due to much higher interest returns than were anticipated at the time of the budget preparation. General Fund expenditures were \$181,669 less than the amounts appropriated because of lower than expected costs in most departments. These variances, and an unbudgeted transfer in of \$35,207, resulted in a \$315,658 positive budget variance, and a \$380,407 increase in fund balance compared to a budgeted increase of \$64,749.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounts to \$22,633,181 (net of accumulated depreciation). This investment includes a broad range of assets, including buildings, fire equipment, and sewer and water facilities. Major capital asset events during the current fiscal year included the following:

- Completion of the improvement to Kraft Avenue totaling \$28,770.
- Acquisition of a truck for the fire department for \$39,358.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had bonds outstanding in the amount of \$12,190,000, which represents a decrease of \$745,000 from the prior year. The decrease represents principal payments the Township made on its various bond issues that were all paid in a timely manner. No new debt was issued during 2006. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities totaling \$24,850 represent accrued compensated absences.

More detailed information about the Township's noncurrent liabilities is presented in Note 6 of the basic financial statements.

Economic condition and outlook

The economic condition and outlook continue to remain excellent for Caledonia Township. In comparison to 2005, the Township improved its financial position in almost every area. Expenses increased essentially at the rate of inflation, while revenues increased by more than double that amount. Interest earnings increased significantly. For the year, the tax base increased to over \$500,000,000, an 8% increase.

The General Fund ended the year with a balance of \$1,683,015 which represents 193 percent of the actual total General Fund expenditures for the current fiscal year. With this in mind, and in an effort to set priorities for available funds, the Board of Trustees has undertaken a comprehensive review of the Township's capital needs - road repair/paving, parks and recreation, technology upgrades, improved office facility. It will be important, however, to maintain sufficient reserves given the uncertain outlook for the state and local economies.

The deficit in the Emergency Services Fund was eliminated with the proceeds of the sale of the former fire station on Maple Street. In addition, Township voters approved a 1.5 mil, 6 year renewal of the emergency services millage. Although less than prior millages, this revenue will be sufficient to add two additional full-time firefighters as well as set sufficient monies aside to fund the scheduled replacement of very expensive fire equipment.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The customer base for sewer and water services continues to grow, though at a slower pace than in previous years. For the first time, business type activities increased the Township's net assets. Although revenues are still not sufficient to offset depreciation and amortization, this imbalance continues to improve.

Beginning in 2007, the Township will change its rate structure for water customers from the current "unit" based billing to a "usage" based billing, which couples a small ready to serve fee with a commodity fee. This was always the Township's intent and the customer base has grown sufficiently to make this possible. The fee structure is based on a careful study of water usage in an effort to assure that sufficient revenues will be maintained initially and enhanced over time.

Long term debt for the utilities is primarily funded by fixed assessments. However, a portion of the 2003 Capital Improvement Bond relies on connection fee revenue from new customers. Given the lagging economic conditions, new connections are barely keeping pace with the projections at the time the system was expanded. This situation will require careful monitoring in the coming months and years.

Finally, the state's current budget crisis has prompted initiatives in Lansing that could seriously affect revenues to rural townships such as Caledonia. Legislation has been proposed that would shift responsibility for assessing, tax collection and elections to the county. This would eliminate revenue from administration fees, tax collection agreements with other entities, as well as interest return on tax collection prior to disbursement.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Richard Robertson, Township Treasurer
Charter Township of Caledonia
250 Maple Street
Caledonia, MI 49316

Phone: (616) 891-0070

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Caledonia, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Caledonia, Michigan, as of December 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Caledonia, Michigan, as of December 31, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 14 to the financial statements, the Township recorded a prior period adjustment to correct its method of accounting for payables of the business-type activities and of the Sewer Fund.

The management's discussion and analysis and budgetary comparison information, on pages i through vi and 26 through 28, respectively, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Caledonia, Michigan's basic financial statements. The combining nonmajor governmental fund financial statements, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Charter Township of Caledonia, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

May 14, 2007

BASIC FINANCIAL STATEMENTS

Charter Township of Caledonia
STATEMENT OF NET ASSETS
December 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 2,985,148	\$ 6,107,482	\$ 9,092,630
Investments	506,373	-	506,373
Receivables	1,230,409	155,883	1,386,292
Prepaid expenses	11,240	-	11,240
Internal balances	<u>146,348</u>	<u>(146,348)</u>	<u>-</u>
Total current assets	<u>4,879,518</u>	<u>6,117,017</u>	<u>10,996,535</u>
Noncurrent assets:			
Receivables	560,974	7,502,292	8,063,266
Bond issuance costs, net of amortization	-	222,070	222,070
Capital assets not being depreciated - land	282,712	-	282,712
Capital assets, net of accumulated depreciation	<u>3,319,343</u>	<u>19,031,126</u>	<u>22,350,469</u>
Total noncurrent assets	<u>4,163,029</u>	<u>26,755,488</u>	<u>30,918,517</u>
Total assets	<u>9,042,547</u>	<u>32,872,505</u>	<u>41,915,052</u>
LIABILITIES			
Current liabilities:			
Payables	142,275	126,225	268,500
Deferred revenue	1,092,505	-	1,092,505
Bonds payable	<u>70,000</u>	<u>805,000</u>	<u>875,000</u>
Total current liabilities	<u>1,304,780</u>	<u>931,225</u>	<u>2,236,005</u>
Noncurrent liabilities:			
Compensated absences	24,850	-	24,850
Bonds payable	<u>590,000</u>	<u>10,725,000</u>	<u>11,315,000</u>
Total noncurrent liabilities	<u>614,850</u>	<u>10,725,000</u>	<u>11,339,850</u>
Total liabilities	<u>1,919,630</u>	<u>11,656,225</u>	<u>13,575,855</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,938,055	7,723,196	10,661,251
Restricted for:			
General government	48,605	-	48,605
Public safety	249,938	-	249,938
Unrestricted	<u>3,886,319</u>	<u>13,493,084</u>	<u>17,379,403</u>
Total net assets	<u>\$ 7,122,917</u>	<u>\$ 21,216,280</u>	<u>\$ 28,339,197</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF ACTIVITIES
Year ended December 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 33,079	\$ -	\$ -	\$ -
General government	606,291	226,869	-	-
Public safety	716,947	-	-	4,000
Public works	83,178	24,648	11,564	-
Community and economic development	180,650	20,911	-	-
Culture and recreation	40,966	-	-	-
Interest on long-term debt	31,766	-	-	-
Total governmental activities	<u>1,692,877</u>	<u>272,428</u>	<u>11,564</u>	<u>4,000</u>
Business-type activities:				
Sewer	919,728	672,812	-	263,571
Water	721,114	491,732	-	362,340
Inspections	<u>193,007</u>	<u>170,480</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,833,849</u>	<u>1,335,024</u>	<u>-</u>	<u>625,911</u>
Totals	<u>\$ 3,526,726</u>	<u>\$ 1,607,452</u>	<u>\$ 11,564</u>	<u>\$ 629,911</u>

General revenues:
Property taxes
State shared revenue
Unrestricted interest income
Cable franchise fees
Gain on dispositions of capital assets
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (33,079)		\$ (33,079)
(379,422)		(379,422)
(712,947)		(712,947)
(46,966)		(46,966)
(159,739)		(159,739)
(40,966)		(40,966)
(31,766)		(31,766)
<u>(1,404,885)</u>		<u>(1,404,885)</u>
	\$ 16,655	16,655
	132,958	132,958
	<u>(22,527)</u>	<u>(22,527)</u>
	<u>127,086</u>	<u>127,086</u>
<u>(1,404,885)</u>	<u>127,086</u>	<u>(1,277,799)</u>
1,167,531	-	1,167,531
536,435	-	536,435
221,788	-	221,788
62,288	-	62,288
181,089	-	181,089
47,432	-	47,432
<u>2,216,563</u>	<u>-</u>	<u>2,216,563</u>
811,678	127,086	938,764
<u>6,311,239</u>	<u>21,089,194</u>	<u>27,400,433</u>
<u>\$ 7,122,917</u>	<u>\$ 21,216,280</u>	<u>\$ 28,339,197</u>

See notes to the financial statements

Charter Township of Caledonia
BALANCE SHEET - governmental funds
December 31, 2006

	<u>Major funds</u>			<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Kraft Avenue</u>	<u>Emergency Services</u>	<u>governmental funds</u>	<u>governmental funds</u>
ASSETS					
Cash	\$ 897,094	\$ 39,330	\$ 589,499	\$ 1,459,225	\$ 2,985,148
Investments	443,909	-	-	62,464	506,373
Receivables	591,170	704,500	495,713	-	1,791,383
Due from other funds	146,348	-	-	78,848	225,196
Total assets	<u>\$ 2,078,521</u>	<u>\$ 743,830</u>	<u>\$ 1,085,212</u>	<u>\$ 1,600,537</u>	<u>\$ 5,508,100</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 49,180	\$ -	\$ 89,095	\$ -	\$ 138,275
Due to other funds	-	78,848	-	-	78,848
Deferred revenue	346,326	635,399	746,179	-	1,727,904
Total liabilities	<u>395,506</u>	<u>714,247</u>	<u>835,274</u>	<u>-</u>	<u>1,945,027</u>
Fund balances:					
Unreserved	1,683,015	29,583	249,938	-	1,962,536
Unreserved, reported in nonmajor special revenue funds	-	-	-	1,600,537	1,600,537
Total fund balances	<u>1,683,015</u>	<u>29,583</u>	<u>249,938</u>	<u>1,600,537</u>	<u>3,563,073</u>
Total liabilities and fund balances	<u>\$ 2,078,521</u>	<u>\$ 743,830</u>	<u>\$ 1,085,212</u>	<u>\$ 1,600,537</u>	<u>\$ 5,508,100</u>
Total fund balances					\$ 3,563,073
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:					
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.					3,602,055
Certain assets, such as special assessments receivable, are not available to liquidate liabilities of the current period and, therefore, are deferred in the funds.					635,399
Expense deferrals/accruals:					
Prepaid insurance					11,240
Compensated absences					(24,850)
Interest payable					(4,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.					(660,000)
Net assets of <i>governmental activities</i>					<u>\$ 7,122,917</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds
Year ended December 31, 2006

	<u>Major funds</u>			<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Kraft Avenue</u>	<u>Emergency Services</u>	<u>governmental funds</u>	<u>governmental funds</u>
REVENUES					
Property taxes	\$ 568,953	\$ -	\$ 847,695	\$ -	\$ 1,416,648
Licenses and permits	62,426	-	-	-	62,426
Federal grant	-	-	4,000	-	4,000
State grants	536,435	-	-	11,564	547,999
Charges for services	29,034	-	-	-	29,034
Interest and rentals	75,845	2,465	24,956	73,359	176,625
Other:					
Sale of capital asset	-	-	197,903	-	197,903
Special assessments	24,648	94,079	-	-	118,727
Miscellaneous	13,064	-	7,200	-	20,264
Total revenues	<u>1,310,405</u>	<u>96,544</u>	<u>1,081,754</u>	<u>84,923</u>	<u>2,573,626</u>
EXPENDITURES					
Legislative	33,079	-	-	-	33,079
General government	568,653	-	-	360	569,013
Public safety	-	-	581,569	-	581,569
Public works	36,922	28,770	-	9,011	74,703
Community and economic development	180,650	-	-	-	180,650
Culture and recreation	39,947	-	-	-	39,947
Capital outlay	14,304	-	66,716	-	81,020
Debt service:					
Principal	-	55,000	-	-	55,000
Interest	-	35,666	-	-	35,666
Total expenditures	<u>873,555</u>	<u>119,436</u>	<u>648,285</u>	<u>9,371</u>	<u>1,650,647</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>436,850</u>	<u>(22,892)</u>	<u>433,469</u>	<u>75,552</u>	<u>922,979</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	35,207	-	-	91,650	126,857
Transfers out	(91,650)	-	-	(35,207)	(126,857)
Total other financing sources (uses)	<u>(56,443)</u>	<u>-</u>	<u>-</u>	<u>56,443</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>380,407</u>	<u>(22,892)</u>	<u>433,469</u>	<u>131,995</u>	<u>922,979</u>
FUND BALANCES (DEFICIT) - BEGINNING	<u>1,302,608</u>	<u>52,475</u>	<u>(183,531)</u>	<u>1,468,542</u>	<u>2,640,094</u>
FUND BALANCES - ENDING	<u>\$ 1,683,015</u>	<u>\$ 29,583</u>	<u>\$ 249,938</u>	<u>\$ 1,600,537</u>	<u>\$ 3,563,073</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)
Year ended December 31, 2006

Net change in fund balances - total governmental funds	\$ 922,979
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Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - assets acquired	105,272
Deduct - asset dispositions	(16,814)
Deduct - provision for depreciation	(173,535)

Collections on special assessments receivable is a revenue in the governmental funds, but the collections reduce long-term receivables in the statement of net assets.

Deduct - collections on special assessments receivable	(79,425)
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Principal payments on long-term debt	55,000
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Changes in other assets/liabilities:	
Net decrease in prepaid expenses	(2,150)
Net increase in compensated absences	(3,549)
Net decrease in interest payable	<u>3,900</u>

Change in net assets of <i>governmental activities</i>	<u>\$ 811,678</u>
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Charter Township of Caledonia
STATEMENT OF NET ASSETS - proprietary funds
December 31, 2006

	Major funds		Nonmajor fund	
	Sewer	Water	Inspections	Totals
ASSETS				
Current assets:				
Cash	\$ 2,917,691	\$ 3,000,724	\$ 189,067	\$ 6,107,482
Receivables	123,592	32,291	-	155,883
Due from other funds	-	6,390	-	6,390
Total current assets	<u>3,041,283</u>	<u>3,039,405</u>	<u>189,067</u>	<u>6,269,755</u>
Noncurrent assets:				
Receivables	3,415,191	4,087,101	-	7,502,292
Bond issuance costs, net of accumulated amortization	134,375	87,695	-	222,070
Capital assets, net of accumulated depreciation	<u>10,583,789</u>	<u>8,447,337</u>	<u>-</u>	<u>19,031,126</u>
Total noncurrent assets	<u>14,133,355</u>	<u>12,622,133</u>	<u>-</u>	<u>26,755,488</u>
Total assets	<u>17,174,638</u>	<u>15,661,538</u>	<u>189,067</u>	<u>33,025,243</u>
LIABILITIES				
Current liabilities:				
Payables	84,716	41,427	82	126,225
Due to other funds	95,152	57,586	-	152,738
Bonds payable	<u>418,000</u>	<u>387,000</u>	<u>-</u>	<u>805,000</u>
Total current liabilities	597,868	486,013	82	1,083,963
Noncurrent liabilities:				
Bonds payable	<u>5,117,913</u>	<u>5,607,087</u>	<u>-</u>	<u>10,725,000</u>
Total liabilities	<u>5,715,781</u>	<u>6,093,100</u>	<u>82</u>	<u>11,808,963</u>
NET ASSETS				
Investment in capital assets, net of related debt	5,182,251	2,540,945	-	7,723,196
Unrestricted	<u>6,276,606</u>	<u>7,027,493</u>	<u>188,985</u>	<u>13,493,084</u>
Total net assets	<u>\$ 11,458,857</u>	<u>\$ 9,568,438</u>	<u>\$ 188,985</u>	<u>\$ 21,216,280</u>

See notes to the financial statements

Charter Township of Caledonia

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
proprietary funds**

Year ended December 31, 2006

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services:				
Usage fees	\$ 444,009	\$ -	\$ -	\$ 444,009
Metered sales	-	242,309	-	242,309
Licenses and permits	-	-	161,201	161,201
Tower rental	-	73,152	-	73,152
Other	18,972	43,459	-	62,431
	<u>462,981</u>	<u>358,920</u>	<u>161,201</u>	<u>983,102</u>
Total operating revenues				
OPERATING EXPENSES				
Personnel costs	17,045	15,509	172,867	205,421
Operating supplies	242	27,850	2,823	30,915
Contracted operating and maintenance	373,743	189,260	-	563,003
Professional services	15,621	16,858	713	33,192
Miscellaneous	13,002	15,189	16,604	44,795
Depreciation	259,646	191,035	-	450,681
Amortization	13,595	6,162	-	19,757
	<u>692,894</u>	<u>461,863</u>	<u>193,007</u>	<u>1,347,764</u>
Total operating expenses				
Operating loss	<u>(229,913)</u>	<u>(102,943)</u>	<u>(31,806)</u>	<u>(364,662)</u>
NONOPERATING REVENUES (EXPENSES)				
Special assessment interest	201,472	246,340	-	447,812
Connection fees	62,099	116,000	-	178,099
Debt service charges	76,892	-	-	76,892
Interest revenue	132,939	132,812	9,279	275,030
Interest expense	<u>(226,834)</u>	<u>(259,251)</u>	<u>-</u>	<u>(486,085)</u>
Total nonoperating revenues	<u>246,568</u>	<u>235,901</u>	<u>9,279</u>	<u>491,748</u>
CHANGE IN NET ASSETS	16,655	132,958	(22,527)	127,086
NET ASSETS - BEGINNING	<u>11,442,202</u>	<u>9,435,480</u>	<u>211,512</u>	<u>21,089,194</u>
NET ASSETS - ENDING	<u>\$ 11,458,857</u>	<u>\$ 9,568,438</u>	<u>\$ 188,985</u>	<u>\$ 21,216,280</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF CASH FLOWS - proprietary funds
Year ended December 31, 2006

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 462,967	\$ 357,233	\$ 161,201	\$ 981,401
Payments to vendors and suppliers	(505,826)	(252,365)	(192,925)	(951,116)
Payments to employees	(14,300)	(13,076)	-	(27,376)
Net cash provided by (used in) operating activities	(57,159)	91,792	(31,724)	2,909
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Decrease in due to other funds	(27,731)	-	-	(27,731)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Collections on assessments receivable	381,314	426,956	-	808,270
Collection of special assessment interest	201,472	246,340	-	447,812
Connection fees	62,099	116,000	-	178,099
Debt service charges	76,892	-	-	76,892
Acquisition of capital assets	(25,750)	-	-	(25,750)
Principal payments on capital debt	(368,000)	(322,000)	-	(690,000)
Interest payments on capital debt	(229,000)	(260,985)	-	(489,985)
Net cash provided by capital and related financing activities	99,027	206,311	-	305,338
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	132,939	132,812	9,279	275,030
NET INCREASE (DECREASE) IN CASH	147,076	430,915	(22,445)	555,546
CASH - BEGINNING	2,770,615	2,569,809	211,512	5,551,936
CASH - ENDING	\$ 2,917,691	\$ 3,000,724	\$ 189,067	\$ 6,107,482

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF CASH FLOWS - proprietary funds (Continued)
Year ended December 31, 2006

	<u>Major funds</u>		<u>Nonmajor fund</u>	<u>Totals</u>
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (229,913)	\$ (102,943)	\$ (31,806)	\$ (364,662)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	259,646	191,035	-	450,681
Amortization	13,595	6,162	-	19,757
Increase in receivables	(14)	(1,687)	-	(1,701)
Increase (decrease) in payables	<u>(100,473)</u>	<u>(775)</u>	<u>82</u>	<u>(101,166)</u>
 Net cash provided by (used in) operating activities	 <u>\$ (57,159)</u>	 <u>\$ 91,792</u>	 <u>\$ (31,724)</u>	 <u>\$ 2,909</u>

See notes to the financial statements

Charter Township of Caledonia

STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*

December 31, 2006

ASSETS

Cash	<u>\$ 1,389,126</u>
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LIABILITIES

Due to other governmental units	<u>\$ 1,389,126</u>
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See notes to the financial statements

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Caledonia, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current year is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Emergency Services Fund accounts for the financial resources used for the operational costs of the Township's public safety functions. Revenues are primarily derived from property taxes.

The Kraft Avenue Fund accounts for the financial resources used to finance a street improvement construction project. Revenues are primarily derived from special assessments and interest.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection systems.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a fiduciary fund, its Tax Collection Fund, which accounts for assets held by the Township as an agent for other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and sewer and water systems), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 10 years
Vehicles	5 - 20 years
Sewer and water systems	50 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Emergency Services	Public safety	\$ 561,715	\$ 581,569	\$ 19,854

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash on hand	\$ 200	\$ -	\$ -	\$ 200
Deposits	2,985,148	6,107,482	1,389,126	10,481,756
Investments	506,373	-	-	506,373
	<u>\$ 3,491,721</u>	<u>\$ 6,107,482</u>	<u>\$ 1,389,126</u>	<u>\$ 10,988,329</u>

Deposits:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits (continued):

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At December 31, 2006, \$10,158,855 of the Township's bank balances of \$10,558,855 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Intergovern- mental</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Totals</i>
Governmental activities:					
General Fund	\$ 183,930	\$ 177,156	\$ 230,084	\$ -	\$ 591,170
Kraft Avenue Fund	-	69,101	-	635,399	704,500
Emergency Services Fund	-	-	495,713	-	495,713
Total governmental activities	<u>\$ 183,930</u>	<u>\$ 246,257</u>	<u>\$ 725,797</u>	<u>\$ 635,399</u>	<u>\$ 1,791,383</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,974</u>	<u>\$ 555,974</u>
Business-type activities:					
Sewer Fund	\$ 40,903	\$ -	\$ -	\$ 3,497,880	\$ 3,538,783
Water Fund	17,144	-	-	4,102,248	4,119,392
Total business-type activities	<u>\$ 58,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,600,128</u>	<u>\$ 7,658,175</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,502,292</u>	<u>\$ 7,502,292</u>

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 282,712	\$ -	\$ -	\$ 282,712
Capital assets being depreciated:				
Shared road costs	742,520	28,770	-	771,290
Buildings	1,881,981	-	(29,600)	1,852,381
Vehicles	1,266,775	39,358	-	1,306,133
Equipment	231,172	37,143	(12,000)	256,315
Subtotal	4,122,448	105,271	(41,600)	4,186,119
Less accumulated depreciation:				
Shared road costs	(3,094)	(37,245)	-	(40,339)
Buildings	(145,295)	(38,786)	19,487	(164,594)
Vehicles	(445,262)	(65,681)	-	(510,943)
Equipment	(124,377)	(31,823)	5,300	(150,900)
Subtotal	(718,028)	(173,535)	24,787	(866,776)
Capital assets being depreciated, net	3,404,420	(68,264)	(16,813)	3,319,343
Governmental activities capital assets, net	\$ 3,687,132	\$ (68,264)	\$ (16,813)	\$ 3,602,055
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 12,403,200	\$ -	\$ -	\$ 12,403,200
Water system	9,490,147	-	-	9,490,147
Buildings and equipment	313,320	25,750	-	339,070
Subtotal	22,206,667	25,750	-	22,232,417
Less accumulated depreciation:				
Sewer system	(1,828,968)	(248,063)	-	(2,077,031)
Water system	(862,292)	(189,417)	-	(1,051,709)
Buildings and equipment	(59,350)	(13,201)	-	(72,551)
Subtotal	(2,750,610)	(450,681)	-	(3,201,291)
Business-type activities capital assets, net	\$ 19,456,057	\$ (424,931)	\$ -	\$ 19,031,126

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activity functions of the Township as follows:

Governmental activities:	
General government	\$ 23,179
Public safety	112,092
Public works	37,245
Culture and recreation	<u>1,019</u>
Total governmental activities	<u>\$ 173,535</u>

NOTE 6 - LONG-TERM LIABILITIES:

At December 31, 2006, long-term liabilities, other than compensated absences, are comprised of the following individual issues:

Governmental activities:	
\$715,000 2005 General Obligation Limited Tax bonds - payable in annual installments ranging from \$55,000 to \$75,000, plus interest at 3.1% to 4.1%; final payment due May 2015	<u>\$ 660,000</u>
Business-type activities:	
\$1,190,000 2001 Sewer system refunding bonds - payable in annual installments ranging from \$65,000 to \$100,000, plus interest at 4.0% to 6.0%; final payment due May 2014	\$ 750,000
\$9,000,000 2001 Public improvement special assessment bonds - payable in annual installments ranging from \$400,000 to \$500,000, plus interest at 3.15% to 6.00%; final payment due November 2020	7,000,000
\$2,650,000 2003 Capital improvement bonds - payable in annual installments ranging from \$75,000 to \$175,000, plus interest at 2.5% to 4.5%; final payment due November 2022	2,375,000
\$1,620,00 2004 Sewer system refunding bonds - payable in annual installments ranging from \$100,000 to \$180,000, plus interest at 2.0% to 4.0%; final payment due November 2015	<u>1,405,000</u>
Total business-type activities	<u>\$ 11,530,000</u>

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued):

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2005 General obligation bonds	\$ 715,000	\$ -	\$ (55,000)	\$ 660,000	\$ 70,000
Compensated absences	21,301	40,753	(37,203)	24,851	-
Total governmental activities	<u>\$ 736,301</u>	<u>\$ 40,753</u>	<u>\$ (92,203)</u>	<u>\$ 684,851</u>	<u>\$ 70,000</u>
Business-type activities:					
2001 Sewer refunding bonds	\$ 825,000	\$ -	\$ (75,000)	\$ 750,000	\$ 75,000
2001 Public improvement bonds	7,400,000	-	(400,000)	7,000,000	500,000
2003 Capital improvement bonds	2,475,000	-	(100,000)	2,375,000	100,000
2004 Sewer refunding bonds	1,520,000	-	(115,000)	1,405,000	130,000
Total business-type activities	<u>\$ 12,220,000</u>	<u>\$ -</u>	<u>\$ (690,000)</u>	<u>\$ 11,530,000</u>	<u>\$ 805,000</u>

At December 31, 2006, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended December 31,</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	70,000	22,953	805,000	464,525
2008	70,000	20,695	815,000	436,125
2009	70,000	18,385	875,000	407,575
2010	75,000	15,900	875,000	376,463
2011	75,000	13,219	880,000	344,112
2012 - 2016	300,000	24,075	4,230,000	1,197,625
2017 - 2021	-	-	2,875,000	505,375
2022 - 2026	-	-	175,000	7,875
Totals	<u>\$ 660,000</u>	<u>\$ 115,227</u>	<u>\$ 11,530,000</u>	<u>\$ 3,739,675</u>

All debt is secured by the full faith and credit of the Township.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PAYABLES:

Payables as of year end for the Township's individual funds are as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General	\$ 33,556	\$ 15,624	\$ -	\$ 49,180
Kraft Avenue	-	-	-	-
Emergency Services	<u>56,345</u>	<u>32,750</u>	<u>-</u>	<u>89,095</u>
Total governmental activities	<u>\$ 89,901</u>	<u>\$ 48,374</u>	<u>\$ -</u>	<u>\$ 138,275</u>
Business-type activities:				
Sewer	\$ 48,178	\$ -	\$ 36,538	\$ 84,716
Water	166	-	41,262	41,428
Inspections	<u>82</u>	<u>-</u>	<u>-</u>	<u>82</u>
Total business-type activities	<u>\$ 48,426</u>	<u>\$ -</u>	<u>\$ 77,800</u>	<u>\$ 126,226</u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At December 31, 2006, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
		Sewer	\$ 88,762
		Water	<u>57,586</u>
General	\$ 146,348		146,348
Nonmajor governmental	78,848	Kraft Avenue	78,848
Water	<u>6,390</u>	Sewer	<u>6,390</u>
Totals	<u>\$ 231,586</u>	Totals	<u>\$ 231,586</u>

The amounts payable to the General Fund from the sewer and water funds represent advances used to finance sewer operating costs, in the amount of \$54,795, and capital acquisitions, in the amount of \$91,553. The Kraft Avenue Fund owes the Road Fund, a nonmajor governmental fund, for an advance used to finance street improvements in and 2006. The balances are scheduled to be collected in the subsequent year.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

The interfund transfers for the year ended December 31, 2006, are as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Nonmajor governmental funds	\$ 91,650	General	\$ 91,650
General	<u>35,207</u>	Nonmajor governmental fund	<u>35,207</u>
Totals	<u>\$ 126,857</u>	General	<u>\$ 126,857</u>

These transfers moved unrestricted revenues, collected in the General Fund, to other funds for various purposes. The transfers to the nonmajor governmental funds are intended to finance future costs associated with street and park improvements. The transfer to the General Fund came from the Budget Stabilization Fund.

NOTE 9 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. The Township's unavailable revenues consist of special assessments that are being used to finance a road improvement project.

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The Township's unearned revenues consist of property taxes levied December 1, 2006, that will finance expenditures of the following year.

At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unearned</u>	<u>Unavailable</u>	<u>Totals</u>
General	\$ 346,326	\$ -	\$ 346,326
Emergency Services	746,179	-	746,179
Kraft Avenue	<u>-</u>	<u>635,399</u>	<u>635,399</u>
Totals	<u>\$ 1,092,505</u>	<u>\$ 635,399</u>	<u>\$ 1,727,904</u>

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 5% of each qualified employee's compensation to the plan and matches any employee contributions up to 5% of the employee's compensation. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$45,696 for the year ended December 31, 2006.

NOTE 12 - CONTINGENCY:

The Township is contingently liable for payback payments to the developer of the Gordon Grove Special Assessment District. In accordance with the development agreement, the Township must make payback payments when additional customers connect to the utility systems. At December 31, 2006, the Township is contingently liable for payments to the developer of approximately \$511,796. This agreement terminates on July 1, 2028.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2006 to correct the balance of accounts payable of the Sewer Fund and of the business-type activities at the end of the prior year. Fund equity as of January 1, 2006, included in the accompanying financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Fund balance</u>	<u>Net Assets</u>
	<u>Sewer</u>	<u>Business-type</u>
	<u>Fund</u>	<u>Activities</u>
Beginning of year, as previously reported	\$ 11,357,202	\$ 21,004,194
Prior period adjustments:		
Overstatement of payables	<u>85,000</u>	<u>85,000</u>
Beginning of year, as restated	<u>\$ 11,442,202</u>	<u>\$ 21,089,194</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Caledonia

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 524,362	\$ 524,362	\$ 568,953	\$ 44,591
Licenses and permits	46,225	46,225	62,426	16,201
State grants	525,000	525,000	536,435	11,435
Charges for services	30,500	30,500	29,034	(1,466)
Interest and rentals	49,000	49,000	75,845	26,845
Other:				
Special assessments	24,200	24,200	24,648	448
Miscellaneous	12,336	12,336	13,064	728
 Total revenues	<u>1,211,623</u>	<u>1,211,623</u>	<u>1,310,405</u>	<u>98,782</u>
 EXPENDITURES				
Legislative	<u>36,509</u>	<u>34,509</u>	<u>33,079</u>	<u>1,430</u>
 General government:				
Supervisor	34,266	33,266	31,483	1,783
Elections	13,982	13,982	9,533	4,449
Assessor	82,909	82,909	81,975	934
Legal fees	52,000	122,000	87,751	34,249
Clerk	74,320	72,168	71,132	1,036
Board of review	1,742	1,742	1,587	155
Treasurer	55,017	57,169	54,625	2,544
Building and grounds	40,528	43,978	33,821	10,157
Cemetery	35,555	35,555	24,583	10,972
General administration	166,557	181,557	172,163	9,394
 Total general government	<u>556,876</u>	<u>644,326</u>	<u>568,653</u>	<u>75,673</u>
 Public works:				
Street lighting	16,500	21,500	21,687	(187)
Drains	25,000	5,000	4,037	963
Weed control	13,700	13,700	11,198	2,502
 Total public works	<u>55,200</u>	<u>40,200</u>	<u>36,922</u>	<u>3,278</u>
 Community and economic development - planning and zoning	<u>272,865</u>	<u>257,865</u>	<u>180,650</u>	<u>77,215</u>

Charter Township of Caledonia

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Culture and recreation:				
Cable television	\$ 41,100	\$ 41,100	\$ 23,285	\$ 17,815
Library	<u>19,024</u>	<u>19,024</u>	<u>16,662</u>	<u>2,362</u>
Total culture and recreation	<u>60,124</u>	<u>60,124</u>	<u>39,947</u>	<u>20,177</u>
Capital outlay	<u>16,200</u>	<u>18,200</u>	<u>14,304</u>	<u>3,896</u>
Total expenditures	<u>997,774</u>	<u>1,055,224</u>	<u>873,555</u>	<u>181,669</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>213,849</u>	<u>156,399</u>	<u>436,850</u>	<u>280,451</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	35,207	35,207
Transfers out	<u>(91,650)</u>	<u>(91,650)</u>	<u>(91,650)</u>	<u>-</u>
Total other financing uses	<u>(91,650)</u>	<u>(91,650)</u>	<u>(56,443)</u>	<u>35,207</u>
NET CHANGE IN FUND BALANCES	122,199	64,749	380,407	315,658
FUND BALANCES - BEGINNING	<u>1,302,608</u>	<u>1,302,608</u>	<u>1,302,608</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,424,807</u>	<u>\$ 1,367,357</u>	<u>\$ 1,683,015</u>	<u>\$ 315,658</u>

Charter Township of Caledonia**BUDGETARY COMPARISON SCHEDULE - Emergency Services Fund**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 847,863	\$ 847,863	\$ 847,695	\$ (168)
Federal grant	-	-	4,000	4,000
Interest	20,000	20,000	24,956	4,956
Other:				
Sale of capital asset	-	-	197,903	197,903
Donations	-	-	7,200	7,200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>867,863</u>	<u>867,863</u>	<u>1,081,754</u>	<u>213,891</u>
EXPENDITURES				
Public safety:				
Fire protection	318,315	319,365	338,222	(18,857)
Police protection	242,350	242,350	243,347	(997)
Capital outlay	<u>119,500</u>	<u>119,500</u>	<u>66,716</u>	<u>52,784</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>680,165</u>	<u>681,215</u>	<u>648,285</u>	<u>32,930</u>
NET CHANGE IN FUND BALANCES	187,698	186,648	433,469	246,821
FUND BALANCES (DEFICIT) - BEGINNING	<u>(183,531)</u>	<u>(183,531)</u>	<u>(183,531)</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 4,167</u>	<u>\$ 3,117</u>	<u>\$ 249,938</u>	<u>\$ 246,821</u>

SUPPLEMENTARY INFORMATION

Charter Township of Caledonia
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2006

	<i>Special revenue funds</i>		
	<i>Street Improvement</i>	<i>Parks and Recreation</i>	<i>Public Improvement</i>
ASSETS			
Cash	\$ 360,413	\$ 315,957	\$ 90,204
Investments	-	-	-
Due from other funds	<u>78,848</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 439,261</u>	<u>\$ 315,957</u>	<u>\$ 90,204</u>
LIABILITIES AND FUND BALANCES			
Fund balances - unreserved, undesignated	<u>\$ 439,261</u>	<u>\$ 315,957</u>	<u>\$ 90,204</u>

<i>Special revenue funds</i>			<i>Total nonmajor governmental funds</i>
<i>Budget Stabilization</i>	<i>Library</i>	<i>Cemetery</i>	
\$ 132,480	\$ 511,566	\$ 48,605	\$ 1,459,225
-	62,464	-	62,464
-	-	-	78,848
<u>\$ 132,480</u>	<u>\$ 574,030</u>	<u>\$ 48,605</u>	<u>\$ 1,600,537</u>
<u>\$ 132,480</u>	<u>\$ 574,030</u>	<u>\$ 48,605</u>	<u>\$ 1,600,537</u>

Charter Township of Caledonia**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2006

	Special revenue funds		
	<u>Street Improvement</u>	<u>Parks and Recreation</u>	<u>Public Improvement</u>
REVENUES			
State grant	\$ 11,564	\$ -	\$ -
Interest	<u>15,441</u>	<u>16,434</u>	<u>3,790</u>
Total revenues	<u>27,005</u>	<u>16,434</u>	<u>3,790</u>
EXPENDITURES			
General government	-	-	-
Public works	<u>9,011</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>9,011</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>17,994</u>	<u>16,434</u>	<u>3,790</u>
OTHER FINANCING SOURCES (USES)			
Transfers in - General Fund	66,650	25,000	-
Transfer out - General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>66,650</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	84,644	41,434	3,790
FUND BALANCES - BEGINNING	<u>354,617</u>	<u>274,523</u>	<u>86,414</u>
FUND BALANCES - ENDING	<u>\$ 439,261</u>	<u>\$ 315,957</u>	<u>\$ 90,204</u>

<i>Special revenue funds</i>			<i>Total nonmajor governmental funds</i>
<i>Budget Stabilization</i>	<i>Library</i>	<i>Cemetery</i>	
\$ -	\$ -	\$ -	\$ 11,564
<u>7,687</u>	<u>27,243</u>	<u>2,764</u>	<u>73,359</u>
<u>7,687</u>	<u>27,243</u>	<u>2,764</u>	<u>84,923</u>
-	-	360	360
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,011</u>
<u>-</u>	<u>-</u>	<u>360</u>	<u>9,371</u>
<u>7,687</u>	<u>27,243</u>	<u>2,404</u>	<u>75,552</u>
-	-	-	91,650
<u>(35,207)</u>	<u>-</u>	<u>-</u>	<u>(35,207)</u>
<u>(35,207)</u>	<u>-</u>	<u>-</u>	<u>56,443</u>
(27,520)	27,243	2,404	131,995
<u>160,000</u>	<u>546,787</u>	<u>46,201</u>	<u>1,468,542</u>
<u>\$ 132,480</u>	<u>\$ 574,030</u>	<u>\$ 48,605</u>	<u>\$ 1,600,537</u>

**Members of the Township Board
Charter Township of Caledonia, Michigan**

In planning and performing our audit of the financial statements of Charter Township of Caledonia, Michigan, as of and for the year ended December 31, 2006, in accordance with U.S. generally accepted auditing standards, we considered Charter Township of Caledonia, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Charter Township of Caledonia, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

May 14, 2007